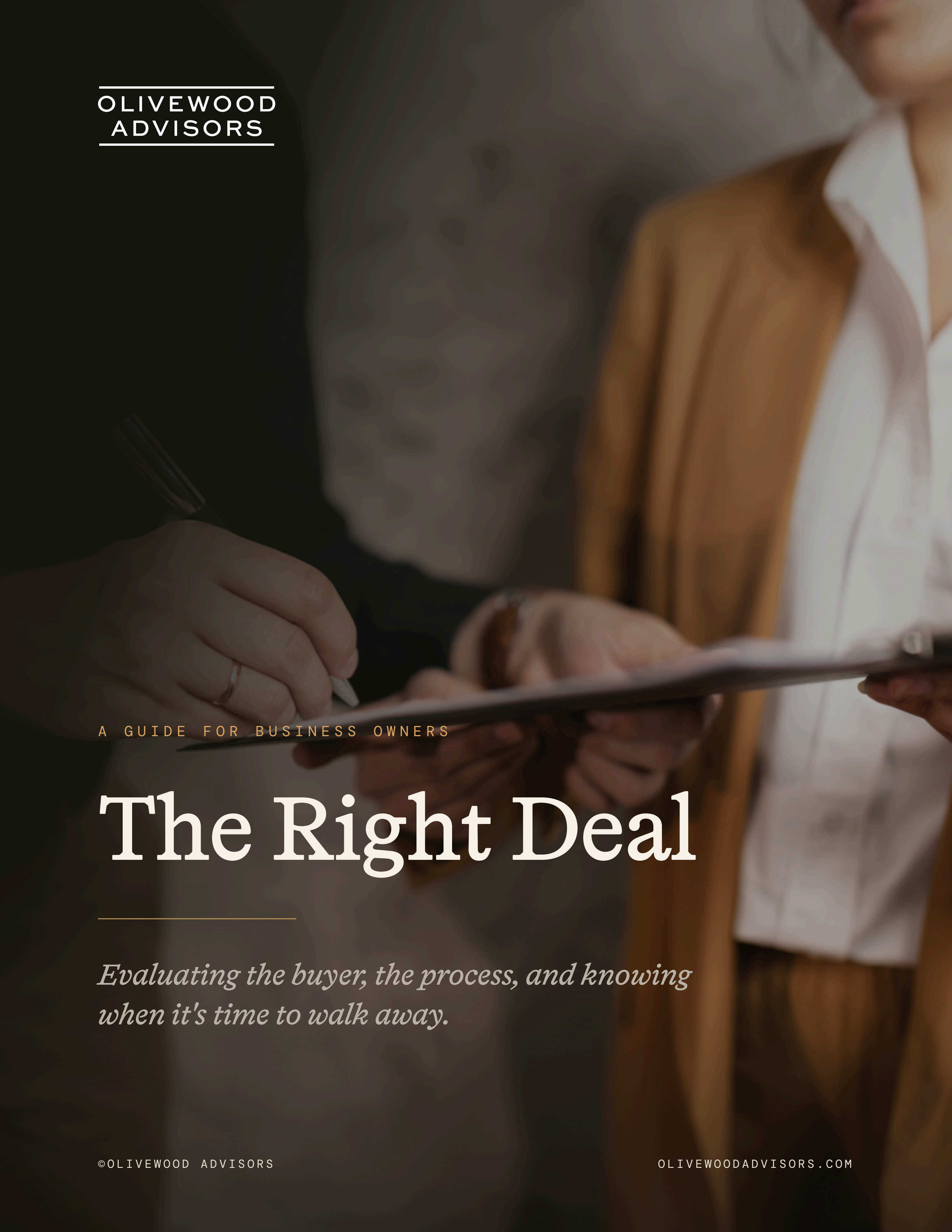

OLIVEWOOD
ADVISORS

A GUIDE FOR BUSINESS OWNERS

The Right Deal

Evaluating the buyer, the process, and knowing when it's time to walk away.

INTRODUCTION

Signing the LOI isn't the finish line. It's where the real *evaluation* begins.

Every business owner begins a sale process with the same objective: reaching a successful closing. That's exactly as it should be. Selling a business often represents decades of work, sacrifice and investment, making it natural to focus on the finish line and assume the hardest decisions are behind you once an LOI is signed. In many respects, those decisions are just beginning.

The period between signing a Letter of Intent (LOI) and closing is where a transaction reveals its character. Financial diligence validates assumptions. Attorneys negotiate purchase agreement language. Management teams spend time together. Buyer references get checked. By the time closing documents are ready for signature, both parties know far more about each other than when the relationship began. That's by design: an M&A process isn't meant simply to negotiate a purchase price. It's designed to answer a harder question: should this transaction actually happen?

This guide isn't about failed transactions. It's about recognizing when new information should influence your decision. Healthy transactions involve difficult conversations, negotiation and unexpected issues, and those are signs of a thoughtful process, not a broken one.

WHAT'S INSIDE

THE CENTRAL IDEA

A purchase agreement transfers ownership. The right buyer protects what's important to you.

The evaluation runs both directions.

Most owners enter a sale process expecting to be evaluated — and they are. Buyers spend months reviewing financial performance, interviewing management, visiting facilities and testing assumptions, all to answer one question: is this the business we believe it is?

What owners sometimes overlook is that the process works both ways. While the buyer evaluates the company, the owner is learning just as much about the buyer. Every meeting, negotiation, diligence request and reference conversation is a chance to see how that organization makes decisions, communicates under pressure and approaches relationships.

At the outset, buyers mostly show up through presentations and proposals. As the transaction progresses, they start revealing themselves through actions, such as how they respond to challenges, negotiate difficult issues, explain unexpected requests and treat advisors, management and employees along the way. That's often the clearest picture of what ownership will look like after closing.

For that reason, the period between LOI and closing isn't just about completing a transaction. It's about continuing to evaluate whether you've chosen the right buyer.

OLIVEWOOD INSIGHT

The best information about a buyer rarely comes from the buyer. It comes from watching how they behave once the stakes are real — under a request they didn't expect, a number they don't like, or a timeline that's slipping.

WHAT NORMAL LOOKS LIKE

Difficult conversations are a feature, not a warning sign.

Every meaningful transaction involves negotiation. Financial diligence uncovers questions. Attorneys propose revisions to the purchase agreement. Tax advisors recommend structural changes. Working capital calculations evolve. Timelines shift. None of that should create unnecessary concern — it's evidence that experienced professionals are doing exactly what they've been asked to do: identify risks while there's still time to address them.

Transactions that move from LOI to closing without meaningful discussion are relatively uncommon. Buyers have a responsibility to validate the assumptions behind their investment; sellers have an equally important responsibility to protect the value they've spent years building. That tension is healthy with both sides trying to make informed decisions.

What separates productive negotiation from problematic negotiation isn't the presence of difficult conversations. It's what those conversations produce. When both sides stay transparent, responsive and committed to solving problems, confidence usually grows, even through complex issues.

Experienced owners rarely judge a transaction by the number of challenges it encounters. They judge it by how those challenges get handled.

ADVISOR'S PERSPECTIVE

We watch how issues get resolved, not just what gets resolved. A buyer who negotiates hard but in good faith is a very different signal than one who resolves every issue in their favor and treats **each concession as the opening move for the next one.**

Most transactions don't unravel over one event. They erode gradually.

Communication becomes less consistent. Explanations start changing. Issues that seemed resolved quietly return. Decision-makers get harder to reach. Requests feel disconnected from earlier conversations. No single moment necessarily justifies changing course, but together, they can change how an owner feels about the organization preparing to acquire the business.

This is where experience becomes misleading. Owners often assume that because they've invested months in the process, the right response is to keep moving forward. Psychologists call this the sunk cost effect: the pressure to keep investing in something because of what's already been invested, rather than because it remains the best decision going forward.

Selling a business is too important for that kind of thinking. The relevant question isn't how much time you've already put in. It's whether today's information would lead you to make the same decision if the process were starting now.

Sometimes additional information strengthens conviction. Other times it changes it. Neither outcome is a failure. The purpose of diligence isn't simply to confirm a transaction. It's to discover whether it deserves to continue.

OLIVEWOOD INSIGHT

Momentum is not a reason. It's a feeling. Treat it as data about how you feel, not as evidence about whether the deal is right.

READING BETWEEN THE LINES

Every action during diligence tells you something.

IF YOU SEE...	IT MAY SUGGEST...
Consistent, responsive communication even when issues arise	A buyer built to operate under pressure — a preview of life after closing
Previously settled issues reopened without new information	Expectations shifting, rather than diligence working
Agreed economics revisited late in the process	Reduced conviction, or leverage tested while exclusivity favors them
Advisors and management treated respectfully under stress	How your people are likely to be treated after the wire clears
Decision-makers becoming harder to reach	Waning internal conviction, or an approval process still underway
Explanations that shift between conversations	A story still being written, not one being reported
Reference calls that echo what you're already observing	A pattern, not a coincidence

THESE AREN'T RULES · THEY'RE PROMPTS FOR A CONVERSATION WITH YOUR DEAL TEAM

ADVISOR'S PERSPECTIVE

We're having these conversations before you have to. Part of our job in this window is comparing notes across every advisor and reference call, because a pattern is often invisible from inside a single conversation and **obvious across several.**

Perspective is worth more than any single piece of technical advice.

By this point, owners have usually assembled a group of advisors with different areas of expertise. Attorneys negotiate agreements. Tax professionals evaluate structure. Investment bankers manage buyer conversations, maintain competitive tension and help interpret what the process is revealing.

The greatest value of that team isn't technical knowledge, it's perspective. Every advisor sees different risks because every advisor views the transaction through a different lens. Collectively, those perspectives help owners separate routine negotiation from meaningful concern. A legal issue may be resolved with revised language. A tax issue may require restructuring. A buyer's changing behavior may deserve a conversation that goes well beyond the purchase agreement.

The most effective deal teams also share something less tangible: alignment. Their job isn't simply to keep the process moving — it's to help the owner make the best possible decision with the best possible information. Occasionally, it means asking an uncomfortable question when everyone else is focused on getting to closing. And sometimes, it means pausing the deal completely.

Those conversations aren't obstacles to a successful transaction. They're often what make one possible.

OLIVEWOOD INSIGHT

Alignment beats consensus. A deal team that always agrees with you isn't protecting you. One built to occasionally disagree, respectfully and with reasons, is.

Slow down long enough to ask yourself these five questions.

Negotiations reveal priorities. Management meetings reveal leadership. Reference conversations reveal reputation. That perspective is easy to lose once a process gains momentum.

01 Has my confidence in this buyer grown since we signed the LOI, or gradually declined?

Confidence isn't built in a single meeting, it develops over time. Don't dismiss a decline just because the process has gotten more demanding.

02 Are new issues emerging because diligence is working, or because expectations keep changing?

Good diligence uncovers questions that deserve thoughtful answers. Reopening settled issues without new information deserves a different conversation.

03 If another qualified buyer offered similar economics tomorrow, would I still choose this organization?

This removes price from the equation and focuses attention on leadership, communication, culture and long-term fit.

04 Would I feel comfortable introducing this buyer to my employees today?

Many owners know the answer before they can explain it. If it creates hesitation, it's worth understanding why.

05 Am I moving forward because this remains the right transaction, or because I've already invested so much time?

Momentum is powerful. So is fatigue. Neither should determine one of the largest decisions of your professional life.

THE RULE → *These aren't legal questions or financial questions. They're leadership questions.*

CLOSING THOUGHTS

The goal isn't just to reach closing. It's to arrive there *with conviction.*

Every owner hopes the process ends in a successful closing, and most do. The overwhelming majority of transactions that hit difficult negotiations, additional diligence or legal revisions keep moving forward because both parties remain committed to solving problems together. Healthy transactions are rarely perfect; they're built on a foundation of growing confidence.

Occasionally, the process uncovers something more significant, and confidence doesn't improve. It erodes. Owners then face a decision that rarely gets much attention: continue forward because the finish line is close, or acknowledge that the information gathered has changed the decision itself. Neither option is easy. Both deserve thoughtful consideration.

Walking away from a transaction isn't failure. In many cases, it's evidence the process accomplished exactly what it was meant to: it surfaced information while there was still time to act on it.

THE FINAL THOUGHT

The objective of every sale process should extend beyond reaching the closing table — it should be arriving there with the same confidence you had when you first decided it was time to sell.

QUICK REFERENCE

Terms you'll see.

TERM	DEFINITION
Letter of Intent (LOI)	The document setting out price, structure, timing, exclusivity and key terms that will govern the rest of the transaction
Exclusivity / no-shop	The period after signing in which the seller agrees not to pursue other buyers
Diligence	The buyer's process of verifying financial, operational, legal and organizational information
Retrade	A buyer revisiting price or terms after exclusivity has begun
Sunk cost effect	The tendency to keep investing in a decision because of what's already been invested, rather than its merits going forward
Deal team	The group of advisors — typically an investment banker, attorney and CPA/tax advisor — guiding the owner through the transaction